



General Assembly

Substitute Bill No. 5018

February Session, 2000

***An Act Concerning An Individual Development Account
Program For Economic Growth.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) As used in sections 1 to 9, inclusive, of this act:
- 2 (1) "Account holder" means a person who is the owner of an
3 individual development account.
- 4 (2) "Agency" means the Labor Department.
- 5 (3) "Approved plan" means a plan, approved by the community-
6 based organization and agreed to by the account holder, that defines
7 savings goals, program requirements and anticipated uses of the
8 individual development account and the matching funds. The
9 approved plan shall be a contract between the account holder and the
10 community-based organization.
- 11 (4) "Area median income" means area median income as determined
12 from time to time by the United States Department of Housing and
13 Urban Development.
- 14 (5) "Certified state IDA program" means a program, as defined in
15 this act, or any other individual development account program
16 established or existing, which has been certified by the agency as
17 meeting the purposes of this act.

18 (6) "Clearinghouse" means the administrative agency for a certified
19 state IDA program which would provide organizations interested in
20 instituting individual development account programs with literature
21 on state and other sources of funding, guidelines for best practices and
22 program standards, and information on applying for federal funding
23 for individual development account programs.

24 (7) "Community-based organization" means an organization exempt
25 from taxation pursuant to Section 501(c)(3) of the Internal Revenue
26 Code of 1986, or any subsequent corresponding internal revenue code
27 of the United States, as from time to time amended, or a nonprofit
28 organization determined by the agency to be eligible to establish and
29 maintain a certified state IDA program.

30 (8) "Education and training" means (A) a postsecondary program of
31 instruction provided by a college, university, community college, area
32 vocational technical school, professional institution or specialized
33 college or school legally authorized to grant degrees, or (B) any job,
34 educational or financial training or related educational program
35 approved by the community-based organization.

36 (9) "Entrepreneurial activity" means the purchase of or investment
37 in a for-profit venture in which the account holder will be a principal.

38 (10) "Federal poverty level" means the most recent poverty income
39 guidelines published in the calendar year by the United States
40 Department of Health and Human Services.

41 (11) "Financial institution" means any federal or state-chartered
42 bank, bank and trust company, savings bank, savings and loan
43 association, trust company or credit union which is approved by the
44 agency for participation in the program.

45 (12) "Individual development account" means a savings account,
46 established pursuant to section 2 of this act or otherwise meeting the
47 requirements of subsection (a) of section 2 of this act, that is held in a
48 financial institution or other institution approved by the agency, for

49 the limited purpose of providing funds for one or more purposes
50 described in subsection (a) of section 2 of this act.

51 (13) "Individual Development Account Reserve Fund" means the
52 fund created within the agency for the purposes of providing matching
53 funds for individual development accounts and for funding the costs
54 incurred in the administration of the program.

55 (14) "Program" means the individual development account program
56 established in section 2 of this act.

57 (15) "Program contributor" means a person or entity, other than an
58 account holder, that makes a contribution to the Individual
59 Development Account Reserve Fund.

60 Sec. 2. (NEW) (a) There is hereby established a program to be
61 known as the "individual development account program". The
62 program shall be managed and operated by the agency. The program
63 shall provide eligible individuals with an opportunity to establish an
64 individual development account which may be used for one or more of
65 the following purposes: (1) The costs of education and training; (2) the
66 purchase of a home; (3) the participation in or development of a new
67 or existing entrepreneurial activity; (4) the purchase of an automobile
68 for the purpose of obtaining or maintaining employment; (5) the
69 making of a lease deposit on a primary residence; or (6) the costs of
70 retirement, all as provided in an approved plan.

71 (b) The agency shall solicit proposals from community-based
72 organizations seeking to administer individual development accounts
73 on a not-for-profit basis. Community-based organization proposals
74 shall include:

75 (1) A requirement that the account holder make deposits to his or
76 her individual development account; and

77 (2) Specification of the population targeted for participation and the
78 reasons therefore.

79 (c) In reviewing and accepting proposals from community-based
80 organizations, the agency shall consider the following factors:

81 (1) The nonprofit status of such organization;

82 (2) The fiscal accountability of the community-based organization,
83 including the organization's commitment to promptly deposit and
84 maintain all matching fund grants with financial institutions;

85 (3) The community-based organization's plan to provide or raise
86 moneys for matching contributions or contributions for program
87 administration;

88 (4) The ability of the community-based organization to administer
89 grants received from the agency for the program, and to verify and
90 monitor the earned income levels of account holders; and

91 (5) The significance and quality of proposed support services,
92 including case management and counseling services, and their
93 relationship to the goals of the individual development account
94 program.

95 (d) The agency shall determine the maximum per cent of all funds
96 received from the Individual Development Account Reserve Fund that
97 may be used by the approved community-based organization for case
98 management and other administrative purposes.

99 (e) The agency shall develop, and the approved community-based
100 organization shall follow, guidelines for the individual development
101 account program, including minimum requirements for approved
102 plans and training and counseling for account holders.

103 (f) Any community-based organization whose proposal is rejected
104 by the agency may, at any time within the six months after the date of
105 such rejection, appeal to the superior court for the judicial district in
106 which the principal office of the community-based organization is
107 located. The appeal shall be returned to court in the same manner and
108 within the same period of time as prescribed for civil actions brought

109 to said court.

110 Sec. 3. (NEW) (a) An individual who has earned income, and such
111 earned income is not in excess of eighty per cent of the area median
112 income for the area where such individual resides, may open an
113 individual development account for the purpose of accumulating and
114 withdrawing moneys for specified expenditures; provided, if an
115 individual does not have earned income solely due to a qualified
116 disability, as determined by the community-based organization, the
117 individual may open an individual development account.

118 (b) Financial institutions shall be permitted to establish individual
119 development accounts for participants, pursuant to this act, with
120 approval from a community-based organization approved by the
121 agency. The community-based organization shall certify to the agency,
122 on forms prescribed by the agency and accompanied by any
123 documentation required by the agency, that such accounts have been
124 established pursuant to the provisions of this act, and that deposits
125 have been made to an account by or on behalf of the account holder.
126 To the extent not previously provided by law, financial institutions
127 shall be eligible for credits under the Community Reinvestment Act for
128 establishing individual development accounts under the program.

129 (c) A financial institution establishing an individual development
130 account shall:

131 (1) Keep the account in the name of the account holder;

132 (2) Permit deposits to be made in the account by the account holder;

133 (3) Require the account to earn a market rate of interest; and

134 (4) Permit the account holder, with the consent of the community-
135 based organization, to withdraw moneys from the account.

136 (d) The total of all deposits into an individual development account
137 in a calendar year shall not exceed ten thousand dollars, including
138 matching funds. The total balance in an individual development

139 account shall not exceed fifty thousand dollars at any time.

140 (e) The community-based organization shall determine and monitor
141 the earned income levels of all account holders administered by it and
142 shall ensure that at least thirty per cent of its account holders have
143 earned income at or below the greater of two hundred per cent of the
144 federal poverty level.

145 Sec. 4. (NEW) (a) The Individual Development Account Reserve
146 Fund is established in the agency for the purpose of providing
147 matching funds, paying for independent evaluation expenses required
148 pursuant to subsection (b) of section 8 of this act, and paying for other
149 administrative expenses for the individual development account
150 program established by this act. The matching funds are provided as
151 incentives for account holders to make timely deposits to their
152 individual development accounts.

153 (b) The Individual Development Account Reserve Fund shall be
154 administered as follows:

155 (1) Proceeds from grants, donations, contributions, appropriations
156 and any other sources of revenue shall be deposited in the Individual
157 Development Account Reserve Fund. Any funds remaining in said
158 reserve fund at the end of each fiscal year, and the interest thereon,
159 shall be retained in said fund and used for making matching fund
160 grants, paying for independent evaluation expenses required pursuant
161 to subsection (b) of section 8 of this act, and paying for other
162 administrative expenses for the individual development account
163 program established by this act in the next succeeding fiscal year.

164 (2) The agency shall make grants from said fund to approved
165 community-based organizations to provide matching funds for
166 account holders. The amount and number of grants shall be calculated
167 by the agency based on the number of account holders and the
168 amounts estimated by the community-based organization so that
169 payment of the maximum amount of matching funds is ensured for all
170 account holders without exceeding the balance in said fund. Grants

171 from said fund may also be made to community-based organizations
172 to pay for their expenses of training and counseling account holders,
173 and to implement and administer the program.

174 (c) Grants received by the community-based organization from the
175 Individual Development Account Reserve Fund for matching funds
176 shall be held in an account separate from the account holder's account,
177 to be disbursed in accordance with subsection (g) of section 4 of this
178 act. Grants from the Individual Development Account Reserve Fund
179 for matching funds shall be made on behalf of an account holder in the
180 maximum ratio of two dollars for every one dollar on deposit in the
181 individual development account of the account holder, not to exceed
182 one thousand dollars per account holder for any calendar year and
183 three thousand dollars per account holder for the duration of the
184 program.

185 (d) The agency and the community-based organization, separately
186 or cooperatively, may solicit grants and private contributions for the
187 Individual Development Account Reserve Fund.

188 (e) If, with the consent of the community-based organization,
189 moneys are withdrawn during a calendar year from an individual
190 development account by an account holder which are not withdrawn
191 for one or more purposes described in subsection (a) of section 2 of this
192 act, all matching funds for those deposits shall be forfeited by the
193 account holder and, on an annual basis, returned to the agency for
194 redeposit into the Individual Development Account Reserve Fund;
195 provided, if the withdrawal is due to circumstances other than an
196 account holder's withdrawal from the program, the community-based
197 organization may retain the matching funds for the account holder
198 until such account holder redeposits the withdrawn funds or
199 withdraws from the program.

200 (f) In order to obtain matching fund grants, the account holder must
201 present evidence, satisfactory to the community-based organization,
202 that the amount to be withdrawn will be expended only for one or

203 more purposes described in subsection (a) of section 2 of this act. A
204 withdrawal from an account for such a purpose shall be paid directly
205 to the person or entity providing the goods or services, except in the
206 case of the retirement expenses, which may be paid to the account
207 holder. Matching funds that have not been paid out for an eligible
208 purpose within five years after the opening of the individual
209 development account shall be returned to the agency to be used to
210 provide matching funds to other account holders, except that the
211 community-based organization may grant a leave of absence or
212 extension of time to an account holder for a period not to exceed two
213 years.

214 (g) In the event of an account holder's death, the account may be
215 transferred to the ownership of a contingent beneficiary. An account
216 holder shall name contingent beneficiaries at the time the account is
217 established and may change such beneficiaries at any time. If the
218 named beneficiary is deceased or otherwise cannot accept the transfer,
219 the moneys shall escheat to the state in accordance with applicable
220 laws.

221 Sec. 5. (NEW) All funds deposited into or withdrawn from a
222 certified state IDA program, and all earnings on said deposits or
223 withdrawals, are excluded from Connecticut taxable income for
224 purposes of determining the income tax imposed under chapter 229 of
225 the general statutes, except that distributions of accumulated interest
226 shall be included in Connecticut taxable income in the year of the
227 withdrawal unless used for a purpose described in the certified state
228 IDA program.

229 Sec. 6. (NEW) (a) A contribution made by a program contributor,
230 other than a financial institution, to the Individual Development
231 Account Reserve Fund or directly to a certified state IDA program,
232 shall be a "human capital investment" for purposes of section 12-217x
233 of the general statutes, and therefore eligible for a credit against the
234 corporation business tax imposed under chapter 208 of the general
235 statutes.

236 (b) The agency shall submit to the department of revenue services,
237 in the form required by said department, the names of contributors
238 and the amount contributed to the Individual Development Account
239 Reserve Fund for each calendar year.

240 (c) The total tax credits authorized pursuant to section 6 of this act
241 shall not exceed one hundred thousand dollars in any fiscal year.

242 Sec. 7. (NEW) Notwithstanding any other provision of the general
243 statutes, funds deposited into or held in an individual development
244 account, including accrued interest, shall be excluded in the
245 determination of eligibility or benefit level for any needs-based
246 program using state or joint federal and state funding.

247 Sec. 8. (NEW) (a) All amounts appropriated by the state for the
248 program shall be deposited into the Individual Development Account
249 Reserve Fund. The agency shall determine the amount of said
250 appropriation to be used to provide grants for matching funds, the
251 amount to be used to provide grants for training, counseling and other
252 case management expenses of the community-based organizations, the
253 amount to be used for administrative expenses of the agency to
254 manage and operate the program, the amount to be used for expenses
255 of the clearinghouse, and the amount to be used for expenses for the
256 independent evaluation of the program.

257 (b) The agency shall annually prepare an independent evaluation of
258 the program for each fiscal year ending June thirtieth. Based on this
259 program evaluation, the agency shall provide a comprehensive report
260 on the program to the speaker of the House of Representatives and the
261 president pro tempore of the Senate by February first of the year
262 following the end of each fiscal year, beginning for the fiscal year
263 ending June 30, 2001.

264 Sec. 9. The Labor Commissioner may, in accordance with chapter 54
265 of the general statutes, adopt such regulations as it deems necessary
266 and reasonable to implement and administer the program established
267 by this act.

268 Sec. 10. This act shall take effect from its passage.

BA Committee Vote: Yea 18 Nay 0 JFS C/R LAB